



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

December 17, 2008

TO: Department Heads and Regional Services Center Directors

FROM: Timothy L. Firestine, Chief Administrative Officer

SUBJECT: FY09 and FY10 Required Operating Budget Actions

Due to worsening economic conditions which have resulted in a reduction in estimated FY09 and FY10 revenues of over \$270 million, it will be necessary to take additional actions to remain within a positive fund balance position for the County Government in FY09 and produce a balanced and fiscally responsible budget in FY10. In addition to the revenue reductions already recognized, we are expecting even more significant reductions in State Aid due to the State's worsening fiscal outlook. The State has reduced its revenue estimates this week and project a nearly \$2 billion deficit for FY10. Given that nearly 15% of the County's tax supported revenues are received from the State, this has troubling implications for Montgomery County.

Hiring Freeze

All positions that are funded by proprietary funds and grants are now subject to the hiring freeze. This is necessary to preserve vacancies for County employees to be transferred into in the event that their position is abolished.

FY09 Savings Plan

There are no plans currently to expand the FY09 Savings Plan from its approved level. However, we have initiated efforts to expand and expedite the liquidation of prior year encumbrances to identify additional savings. The Office of Management and Budget (OMB) will be working closely with you and your budget staff to monitor FY09 expenditures to ensure that Savings Plan targets will be achieved. Departments are encouraged to take every possible step to reduce expenditures beyond what is outlined in the approved Savings Plan including

reducing all discretionary spending such as travel, conferences, promotional items, training, and other miscellaneous, non-mandated expenditures. Because of pending State reductions and the potential for the County to write down current year projected revenues, it may be necessary to institute further mid-year cost reduction efforts.

FY10 Operating Budget

We are asking for reductions of 7% for Non-Public Safety tax-supported departments, 5% for proprietary funds, and 3.5% for Public Safety Departments and the Department of Health and Human Services. These reductions are assessed against your FY10 MARC and are in addition to the reductions identified in your FY10 budget submissions. Reductions identified must be consistent with the following criteria:

1. Alignment with the County Executive's priority results and values.
2. Emphasize ongoing savings as opposed to one-time savings (e.g. position abolishments instead of lapse).
3. Preserve:
 - a. direct public safety services and services for the most vulnerable; and
 - b. core and Federal or State mandated services.¹
4. Reduce administrative and overhead costs through centralizing and sharing services within a Department or across Departments
5. Reduce or eliminate entire programs, rather than across-the-board weakening of all programs.
6. Use performance data (departmental headline measures and program level measures) to identify and triage:
 - a. high performing and low performing programs; and
 - b. cost ineffective programs (e.g. where per client costs are unacceptably high relative to the benefits provided).

You should assume that in light of the County's fiscal conditions, all submitted reductions will be approved. In addition to this, OMB will be identifying additional "top-down" directed reductions that will provide the County Executive with other options for balancing the FY10 budget. These reductions will not be identified until after departmental target reductions are submitted.

Reductions should be transmitted to OMB by close of business on January 15, 2009. Additional instructions will be provided by OMB on the format and other submission requirements.

¹ However, if a change to local law is required to implement a recommended reduction, please include the appropriate legal citation and the text of the relevant portion of local law.

Conclusion

The level of reductions required will result in positions being abolished including filled positions. I realize that this uncertainty places a great deal of stress on our employees as they focus on the possible impact of layoffs. It is important that you reassure them that the County has a great track record placing affected employees in vacant positions. I appreciate your continued leadership, resourcefulness, and collaborative spirit under these difficult circumstances.

TLF: jb

c: Isiah Leggett, County Executive
Phil Andrews, President, County Council
Judge Ann S. Harrington, Administrative Judge, Circuit Court
Sheriff Raymond M. Kight
John McCarthy, State's Attorney
Stephen B. Farber, County Council Staff Director
Legislative Branch Department Heads
OMB Managers and Staff
Administrative Services Coordinators and Functioning Equivalents